



Council Communication

Office of the City Manager

Date

May 18, 2009

Agenda Item No. 45

Roll Call No. ~~09-~~

Communication No. 09-321

Submitted by: Matthew Anderson, Economic
Development Administrator

AGENDA HEADING:

Resolution Approving Subordination and Payment Extension Documents related to a Neighborhood Commercial Revitalization Loan to Kung Fu Tea, LLC (DBA Gong Fu Tea, Russell Bishop and Michael Feller, owners, 414 East Sixth Street, Des Moines, Iowa 50309).

SYNOPSIS:

Recommend approval of the Roll Call authorizing the Mayor to execute a mortgage subordination agreement and a promissory note extension agreement for the Neighborhood Commercial Revitalization loan to Kung Fu Tea, LLC.

FISCAL IMPACT:

Amount: \$42,414.44

Funding Source: CDBG Economic Development Financial Assistance Program, Fund SPO23, Org CMO0980503, FY10 Operating Budget, page 54.

ADDITIONAL INFORMATION:

On February 23, 2004, by Roll Call 04-389, Council approved a Neighborhood Commercial Revitalization (NCR) loan and documents in the amount of \$50,000 to Kung Fu Tea, LLC to assist in improvements to the property located at 414 East Sixth Street. The NCR loan has matured and staff is recommending the extension of the existing payment structure for an additional 5 years at an interest rate of three percent. Additionally, Iowa State Bank has agreed to advance the company \$20,000 in new funds for continued building repairs at 414 East Sixth Street and has requested that the City subordinate its existing 2nd mortgage position to a new mortgage with Iowa State Bank for \$194,490.

Mr. Russell Bishop and Michael Feller purchased the commercial building at 414 East Sixth Street (FNA Antlers) in 2004. They renovated the vacant portion of the building for a new teahouse, Gung Fu Tea, which they own and operate. Gung Fu Tea specializes in over 100 high quality loose-leaf teas for drink-in or take-out use. They sell bulk loose leaf teas, complimentary food items (Chai, Bubble Tea, Fruit Smoothies, Pastries, salads, pre-made sandwiches and the alternative drink coffee), tea preparation accoutrements, gift baskets, while pursuing corporate and wholesale sales. The teas are imported from China, India, Japan, Sri Lanka, Argentina and South Africa. Recently, they renovated the portion of the building, that in the past housed Antlers, for rental to the retail store Pure Paper.

PREVIOUS COUNCIL ACTION(S):

Date: February 23, 2004

Roll Call Number: 04-389

Action: Neighborhood Commercial Revitalization Program Loan for renovation of 414 East 6th Street, \$50,000. (Council Communication No. 04-096)

) Moved by Overman to approve. City Manager will send a letter of encouragement from the City Council. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

It is anticipated that if the loan payments are made in accordance with the NCR Loan Agreement and Promissory Note, the payments will be extended for consecutive 5 year terms until fully repaid.

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